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FM AMEMBASSY BEIJING  
TO RUEHC/SECSTATE WASHDC 3352  
RHMFIUU/DEPT OF ENERGY WASHINGTON DC  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUCNIRA/IRAN COLLECTIVE  
RUEHIL/AMEMBASSY ISLAMABAD 6495  
RUEHKL/AMEMBASSY KUALA LUMPUR 2417  
RUEHMO/AMEMBASSY MOSCOW 8511  
RUEHNE/AMEMBASSY NEW DELHI 4259  
RUEHNY/AMEMBASSY OSLO 0855  
RUEHUNV/USMISSION UNVIE VIENNA 1137

UNCLAS BEIJING 024780

SIPDIS

SENSITIVE  
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DEPT FOR EAP/CM AND EB/ESC SIMONS  
DOE OIC FOR PUMPHREY, OEA FOR CUTLER

E.O. 12958: N/A

TAGS: [ETTC](#) [ECON](#) [ENRG](#) [EINV](#) [EPET](#) [PREL](#) [IR](#) [CH](#)

SUBJECT: CHINA/ENERGY: SINOPEC SAYS NO IRAN DEAL FINALIZED,  
STILL IN NEGOTIATION STAGE

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REF: A) SECSTATE 194960, B) BEIJING 15609

¶1. (SBU) Summary: Sinopec Director-General for Foreign Affairs Tang Suxin stated that contrary to Iranian press reports, Sinopec's business cooperation with Iran on the Yadavaran Oilfield is currently at the contract negotiation stage. Iran was making propaganda to suit its own purposes, he added. Tang went on to say that Sinopec, in general, is not interested in product sharing agreements (PSA) with Iran as they are considered too risky. End summary.

No Sinopec-Iran Deal Completed, but Negotiations Continue  
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¶2. (SBU) In a December 21, 2006 meeting, Sinopec Director-General for Foreign Affairs Tang Suxin told Economic Minister-Counselor that he was aware of press reports as far back as three weeks ago concerning a potential deal between Sinopec and Iran. He consulted with several offices within Sinopec and concluded that Iran was making propaganda to suit its purposes.<sup>8</sup> Sinopec's position is largely different from these Iranian reports, he continued. While there is business cooperation with National Iranian Oil Company, any further cooperation on full-scale investments in Iran's Yadavaran Oilfield is still at the contract negotiation stage. The discussions have not been finalized, he emphasized.

¶3. (SBU) Econ M/C asked whether Sinopec was now considering going beyond the services contracts described by Vice President Zhang Yaocang in ref. b. Tang said that he did not have total investment figures on hand and noted that it is hard to know what constitutes an investment an even harder to quantify the total. The Gamsar project is just a services contract and Sinopec is not interested in the more risky product sharing agreements (PSAs), he added.

Yadavaran Oil Field Deal and LNG Projects ) Linkage Unclear  
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¶4. (SBU) Econ M/C asked about the status of Sinopec,s possible purchase of liquefied natural gas (LNG) from Iran. Tang stated that he is not involved in the LNG negotiations and didn't know exactly how this fit into the broader Yadavaran negotiations. However, he stated his view that developing LNG capacity in Iran would benefit China and all other consuming nations.

#### UNSCR and Sinopec Negotiations

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¶5. (SBU) Responding to Econ M/C,s talking points addressing United States, concerns that a Sino-Iranian oil deal at this point in time would be especially unfortunate considering pending action in the United Nations and the signal it would send Iran, Tang noted that Sinopec is a responsible member of the international community and would abide by relevant international laws and decrees.

SEDNEY